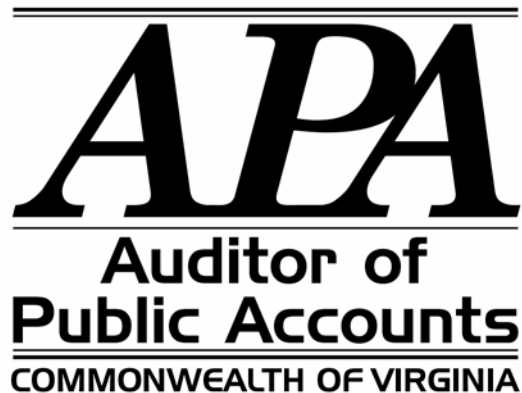


THE LIBRARY OF VIRGINIA

REPORT ON AUDIT

FOR THE PERIOD

JANUARY 1, 2003 THROUGH JUNE 30, 2004



AUDIT SUMMARY

Our audit of the Library of Virginia for the period January 1, 2003 through June 30, 2004 found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider a reportable conditions
- no instances of noncompliance with applicable laws and regulations tested or other matters that are required to be reported.

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OVERVIEW

The Library of Virginia provides reference and research assistance to other state agencies, members of the General Assembly, public libraries, and the general public, and houses the archival records of the Commonwealth of Virginia. The Library provides assistance to state agencies and public libraries to maintain libraries, collections and educational services, preserve publications, and update record management. In fiscal year 2004, the Library distributed over \$16 million in state aid to 90 public library systems.

The Library also operates the State Records Center, which houses the archives annex, reading room, media vault, and Imaging Services Department. The State Records Center maintains inactive and permanent records, as well as security microfilm copies of state and local government records. The Library administers the following three programs to provide these services.

- *Archives Management Program* provides a central reference library, a repository for all state publications, and the archives of the Commonwealth.
- *Financial Assistance for Cultural and Artistic Affairs Program* provides management guidance, fiscal oversight, staff development, and other consulting services to more than 90 public library systems.
- *Statewide Library Services Program* provides advisory assistance to public libraries within the Commonwealth and provides public access to more than 19.2 million materials ranging from books to posters and paintings.

In addition, the Library administers an Administrative and Support Services Program that includes the Library's accounting, budgeting and financial reporting, human resources, photographic and digital imaging, information technology, facilities management, housekeeping, and similar activities and a public information office.

The table below shows the fiscal year 2004 original and amended budget in the first two columns and actual results in the last two columns for the three funding sources of the Library: General Fund, special revenue, and federal grants. The amounts shown in the third column for special revenue and federal grants are the actual amounts collected by the Library. The increase from the General Funds original budget paid for increases in normal operating expenses. The special revenue collections consist of fees charged for records storage and a \$1 fee collected by circuit courts for recording a deed. During the fiscal year the Library made a mandated transfer of \$361,753 from special revenue to the Commonwealths General Fund, the residual is committed to a pending contract for digital imaging services to reformat Chancery records.

The Library also has four federal grants. These grants help preserve United States imprint newspapers, maintain a multivolume historical reference on Virginians, and promote access to learning and information resources. The increase in federal grants paid for administrative expenses of the State Historical Records Advisory Board.

<u>Funding Source</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Collections</u>	<u>Actual Expenses</u>
General Fund appropriations	\$27,700,493	\$27,920,287	\$27,920,287	\$27,920,287
Special revenue	2,775,357	4,075,357	5,277,599	3,617,778
Federal grants	<u>3,626,185</u>	<u>4,076,185</u>	<u>3,852,333</u>	<u>3,821,357</u>
Total	<u>\$34,102,035</u>	<u>\$36,071,829</u>	<u>\$37,050,219</u>	<u>\$35,359,423</u>



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 12, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited selected financial records and operations of the **Library of Virginia** for the period January 1, 2003 through June 30, 2004. We conducted our audit in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objective was to review the significant cycles for the Library's activities as reported in the Commonwealth Accounting and Reporting System (CARS). In support of this objective, we evaluated the accuracy of recording financial transactions in CARS; reviewed the adequacy of the Library's internal control; and tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Library's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls including controls for administering compliance with applicable laws, regulations, contracts, and grant agreements. Our review encompassed controls over the following significant cycles, classes of transaction, and account balances.

Revenues
Expenditures
Payroll

We gained an understanding of the overall internal controls surrounding these cycles, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Library's controls were adequate, had been placed in operation, and were being followed.

Management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute,

assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws, regulations, contracts and grant agreements. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Library properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the cycles listed in the scope section of this report.

We noted no matters involving internal control and its operation that we considered necessary to bring to management's attention.

The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this letter with management at an exit conference held on April 18, 2005.

AUDITOR OF PUBLIC ACCOUNTS

SW/kva

THE LIBRARY OF VIRGINIA

Nolan T. Yelich
Librarian of Virginia

The Library Board

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